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FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC IMMEDIATE 2153
INFO RUEHBJ/AMEMBASSY BEIJING 1962
RUEHFR/AMEMBASSY PARIS 6002
RUEHUL/AMEMBASSY SEOUL 8024
RUEHFK/AMCONSUL FUKUOKA 6396
RUEHHK/AMCONSUL HONG KONG 6460
RUEHOK/AMCONSUL OSAKA KOBE 0064
RUEHKSO/AMCONSUL SAPPORO 7001
RUEHBS/USEU BRUSSELS
RUEHGV/USMISSION GENEVA 3260
RUEHIN/AIT TAIPEI 6912
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/TREASURY DEPT WASHDC
RUEAWJA/JUSTICE DEPT WASHDC

UNCLAS TOKYO 000546

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SENSITIVE
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DEPT FOR EAP/AMBASSADOR HASLACH
ALSO FOR EAP/J AND EEB/IFD/OIA/KAMBARA
DEPT PASS USTR FOR BEEMAN
USDOC FOR 4410/ITA/MAC/OJ/NMELCHER
JUSTICE FOR ANTITRUST DIVISION - CHEMTOB
TREASURY DEPT FOR IA/CARNES AND POGGI
GENEVA FOR USTR

E.O. 12958: N/A
TAGS: [EINV](#) [ECON](#) [OECD](#) [JA](#)
SUBJECT: SAPPORO REJECTS STEEL PARTNERS TAKEOVER BID

REF: A. TOKYO 324

[1](#)B. TOKYO 408

Sensitive but Unclassified. Contains Proprietary Information

[1](#)1. (U) Sapporo Holdings, Ltd.'s board of directors February 26 announced it had rejected U.S.-based investment fund Steel Partners' \$1.4 billion tender offer to acquire 66.6 percent of the company's shares. The board's announcement did not signal whether the company intended to implement formal takeover defense measures to dilute Steel's 19 percent stake in the company, Japan's third-largest beer and beverage maker. Sapporo's board based its decision on a February 5 report by a company-appointed advisory committee that concluded Steel's offer was "not in the best interests of the company or its shareholders" (Ref A). Sapporo's shares were trading February 29 around 800 yen, three percent below Steel's bid of 825 yen per share.

[1](#)2. (SBU) Steel Partners has not yet responded publicly to the board's announcement, but the fund had been clearly angered by the advisory committee's report, which claimed Steel had not provided sufficient information about its plans for the company after acquiring control. The report also charged the fund with secretly planning a two-stage "squeeze out" takeover that could result in financial damage to minority shareholders. A February 13 letter from Steel's Managing Partner to the Sapporo advisory committee refuted the charges by noting that Steel, at Sapporo's request, had submitted in December 2007 a 125-page plan on how to enhance the firm's corporate value that set out Steel's long-term strategic vision for the company. The letter also reminded the committee the fund had given repeated written assurances that, if it decided to go ahead with a bid for the entire company, it would offer the remaining shareholders a price no less favorable than its current bid. One of Steel Partners' executives told Econff February 23 that the fund believes

Sapporo never intended to negotiate seriously with Steel and was only using its "advance warning system" defense as a delaying tactic.

13. (SBU) Unless Sapporo takes measures that dilute Steel's shareholdings, the fund's legal options seem limited. In our view, if it wishes to pursue the takeover bid, it would probably need to seek support directly from shareholders by means of a proxy fight before the company's June annual general meeting.
SCHIEFFER